

Department of Natural Resources and Conservation
LAND BANKING REPORT
2009 Legislative Session – January 2009

Background:

HB 223 (77-2-361 through 367, MCA) passed the Legislature in 2003 with bipartisan support, including unanimous support from the Land Board. HB 223 enacted a Land Banking program whereby the proceeds of trust land sales would be placed in a special land banking account which could only be used to acquire other real property interests (land, easements, or improvements). A sunset of October 1, 2008 was inserted into the bill to ensure that Land Banking was a pilot program. In 2007 the Legislature extended the sunset to October, 2011.

Statute requirements:

- Land Banking will sunset in 2011
- Limits sale of land to 100,000 acres
 - 75% of the 100,000 acres must be isolated land
 - Limits sales to 20,000 acres until replacement properties were purchased
- Replacement land must generate as much or more revenue than the land sold

Goals of the program:

- Increase public access to state trust land
 - 142,852 acres have been nominated for sale
 - 28,871 acres have been sold, 97.6% were isolated
 - 31,283 acres have been purchased, all are legally accessible with recreational opportunities
- Improve the investment portfolio of the beneficiaries by diversifying land holdings
 - lands sold generated \$39,572 annually
 - lands acquired will generate \$302,253 annually
 - lands sold are predominately isolated grazing lands and the lands acquired include agricultural, grazing and timbered lands
- Enhance management and stewardship activities with land consolidation
 - lands acquired are contiguous and in most cases consolidate existing state ownership

Milestones:

- A Negotiated Rulemaking process was approved by the Board of Land Commissioners in June 2004, and the Committee was initiated in October 2004.
- Administrative Rules (ARM 36.25.801 through 817) were given final approval by the Board of Land Commissioners in September 2005. Rules have been amended to reflect 2007 statutory changes.
- **142,852** acres have been nominated for sale since program inception. Processed and sold **28,871** acres of land consisting of **110** parcels. 28,186 acres were isolated (97.6%), while 685 acres were legally accessible (2.4%).
- Agency is currently processing 23,579 acres of land for sale; 20,733 isolated (87.9%); 2,846 legally accessible (12.1%).
- **31,283.58** legally accessible acres in 8 parcels have been purchased.
- Agency is currently processing 3 parcels for acquisition with a total of 19,668 acres; 304 acres in Fergus Co., 14,581 acres Powell & Missoula Co., and 4,783 acres in Valley Co.

LAND BANKING SALES CLOSED

Land Banking Rules require a rigorous examination of trust land prior to sale, including evaluation using the Montana Environmental Policy Act (MEPA) process, appraisal, notification of lessees, beneficiaries, adjacent landowners, licensees, publication of legal notices, culminating in public auctions after which final Board approval is required.

Trust Land Sold via Land Banking 2006 – 2008**Sales by Trust**

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	RATE of RETURN RANGE
27,028	Common Schools	\$14,543,231	\$36,269	0.02% - 1.86%
600	MSU Morrill	\$600,000	\$1,377	0.23%
604	Public Building	\$366,600	\$978	0.05% - 1.02%
80	School of Mines	\$20,000	\$172	0.69% - 1.02%
559	State Industrial School	\$117,290	\$776	0.42% - 0.99%
28,871		\$15,647,121	\$39,572	

Sales by County

ACRES	COUNTY	SALES PRICE	ANNUAL INCOME
1280	Blaine	\$324,450	\$2,561
295	Carbon	\$1,342,250	\$490
2706	Chouteau	\$513,370	\$3,866
9,585	Custer	\$1,461,800	\$11,382
85	Flathead	\$6,400,000	\$1,119
9,600	Garfield	\$1,382,900	\$12,238
404	Hill	\$120,600	\$575
1,520	Lewis & Clark	\$1,474,000	\$2,626
597	Liberty	\$149,453	\$919
479	Madison	\$886,298	\$601
720	Powell	\$1,224,000	\$1,156
1,600	Treasure	\$368,000	\$2,039
28,871	TOTAL	\$15,627,121	\$39,572

Average Sale Price per acre for Sold Parcels = \$541

Average Income per acre for Sold Parcels = \$1.37

LAND BANKING ACQUISITIONS CLOSED

Criteria for tracts acquired:

- Increasing rate of return compared with the land sold.
- Improving access and consolidating land holdings.
- Maintaining a similar land base consistent with the state's fiduciary duty.
- Considering equalization of land base through sales and acquisitions by geographic area.

The following table summarizes replacement property acquired with Land Banking proceeds.

Note that while 28,871 acres were sold generating \$15,627,121 in sales revenue, the state has acquired 31,283.58 acres while spending \$15,349,627. Additionally, the replacement acreage is all publicly accessible, while producing more than twice the rate of return to the beneficiaries.

Tracts Acquired Through Land Banking 2006-2008							
Tract	County	Acres	Purchase Price	Appraised Value	Annual Net Income	Estimated Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$969,600	\$15,502	2.16%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$11,752	1.90%	December-06
North Lincoln	Lewis and Clark	1041 Graz/Timber	\$1,131,636	\$1,480,000	\$912	0.08%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$745	0.14%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$27,078	2.10%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$70,243	1.46%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$1,271,000	\$18,441	1.45%**	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$4,980,000	\$157,580	3.16%**	December-08
TOTALS		31,283.58	\$15,349,627	\$16,384,600	\$302,253	1.97% Avg.	

Average Cost per Acre for Acquisitions = \$491

Average Income per Acre for Acquisitions = \$9.66

* Rate of Return only reflects secondary income from grazing, timber will be harvested from the property during the next 60 years.

** Rate of Return based on projected income at time of purchase.

Eustance Ranch

Cascade County

Grazing/Ag Acres

897.2

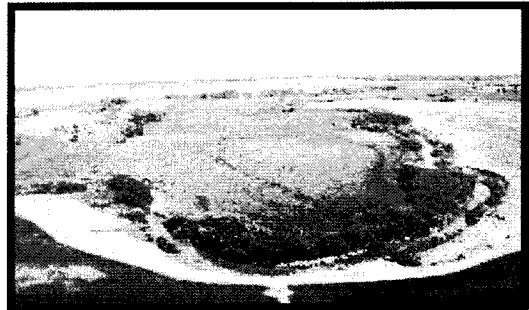


Capdeville Ranch

Valley County

Ag Acres

530



North Lincoln

Lewis and Clark County

Graz/Timber Acres

1,041

Ovando Mtn.

Powell County

Graz/Timber Acres

1,439



Wolf Creek Ranch

Fergus County

Grazing/Ag Acres

1,842.55



Tongue River Ranch

Custer County

Grazing/Ag Acres

18,544.18



Tupper Lake

Powell County

Graz/Timber Acres

1,777.67



DeBruycker Farm

Teton County

Grazing/Ag Acres

5,211.98

